



June 29, 2015

VIA ELECTRONIC FILING

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

**Re: Expanding the Economic and Innovation Opportunities of
Spectrum Through Incentive Auctions, GN Docket No. 12-268;
Broadcast Incentive Auction Comment Public Notice Auction 1000,
1001 and 1002, AU Docket No. 14-252**

NOTICE OF ORAL EX PARTE PRESENTATION

Dear Ms. Dortch:

On Friday, June 26, 2015, the undersigned Executive Director of the Expanding Opportunities for Broadcasters Coalition (the "Coalition"), Ari Meltzer of Wiley Rein LLP, and David Malec of the University of Maryland met separately with: (1) Commissioner Jessica Rosenworcel and Valery Galasso from Commissioner Rosenworcel's Office; and (2) Commission Michael O'Rielly and Erin McGrath from Commission O'Rielly's Office. During both meetings, the Coalition participants addressed the issues in the attached talking points.

Pursuant to Section 1.1206 of the Commission's rules, attached hereto is a copy of the written presentation that was provided at the meetings.

Respectfully Submitted,

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/s/ Preston Padden /s/

Preston Padden
Executive Director
Expanding Opportunities for
Broadcasters Coalition

cc: Commissioner Michael O’Rielly
Commissioner Jessica Rosenworcel
Valery Galasso
Erin McGrath



Statement of Expanding Opportunities For Broadcasters Regarding FCC Staff Recommendations Regarding Incentive Auction

June 22, 2015

The FCC Staff has done an amazing job of translating the Spectrum Act into an Auction plan with great potential for success. The Staff has provided all stakeholders with unprecedented access and has been very responsive to input, including from our Coalition.

For example, the Staff granted our requests to provide advance pricing guidance to broadcasters and to liberalize the channel sharing rules. And, thankfully, the Staff was responsive to the condemnation of DRP by our Coalition and by nearly every other stakeholder.

We thank the Staff for sharing with stakeholders the Staff recommendations to the Chairman and

the Commissioners. In the coming days, our Coalition will be meeting with the Chairman and Commissioners to outline improvements to those recommendations that will increase the odds of a successful auction. Those improvements include the following:

- The Staff proposal to reduce prices to Stations by 5% between rounds is simply too large. Especially because broadcasters are new to spectrum auctions, bidding decrements should be limited to 1% of starting prices. At 1%, there would be a maximum of 100 rounds – less than the universally acclaimed AWS-3 auction.
- Alternatively, the FCC should stick to the plan to allow intra-round bidding as described in the Auction Report and Order. The current proposal would appear to decide “ties” by random draw. This is an unacceptable departure from the Commission’s commitment to a market-driven auction—a problem that will be exacerbated by the large bid decrements.
- The Staff proposal to improve transparency for broadcasters (telling them “high, medium

or low” channel vacancy for each band in their “neighborhood”) would not provide broadcast bidders with meaningful information. It fails the standard articulated by the FCC’s own economic consultant, Paul Milgrom, who has explained that “when bidders are uncertain about their valuations, they can acquire useful information by scrutinizing the bidding behavior of their competitors . . . weaken[ing] the winner’s curse and lead[ing] to more aggressive bidding.”¹ Between rounds, broadcasters should be provided with the actual channel vacancy number for each band for their DMA.

- Because the Staff proposal does not distinguish between natural impairment created by cross-border allotments and other, artificial impairment, the proposal to limit total impairment to the equivalent of one paired block could make it impossible to achieve desirable clearing targets if substantial progress is not made on border negotiations. We are particularly concerned that reserving certain channels for Mexico’s

¹ Paul R. Milgrom and Robert J. Weber, A Theory of Auctions and Competitive Bidding, 50 *Econometrica* 1095 (1982).

use could effectively preclude the FCC from achieving the 126 MHz clearing target.

- The FCC claims to let market forces drive the auction. But the Staff starting price formula for broadcasters is not in any sense a measure of spectrum value. For example, it simply is not true that the spectrum occupied by Station WIFR in Rockford, Ill. has a market value \$334 Million lower than the spectrum occupied by Station WTTW in Chicago, Ill.
- Also, because the AWS-3 auction produced marketplace spectrum values dramatically higher than pre-auction estimates, it simply is not possible for broadcaster starting prices calculated before AWS-3 to truly reflect market values.
- The FCC should provide relief to the Stations in San Diego, Wilkes-Barre, and Palm Springs that will see starting prices lower than the Greenhill I numbers published by the Commission, which are supposed to reflect a possible auction outcome. If a broadcaster advertised the economic opportunity of a promotion as

\$100 and then started a descending process at \$60, they would be subject to the wrath of the Enforcement Bureau. We should hold the FCC itself to this same standard. The first Greenhill book recognized the importance to the auction of Stations in these markets, and the Commission should ensure that any pricing formula values these Stations accordingly.

Chicago

Both stations block every station in Chicago

Similar Contribution to Clearing Spectrum: \$334 million price difference

WIFR (FacID 4689) **88% Freeze***

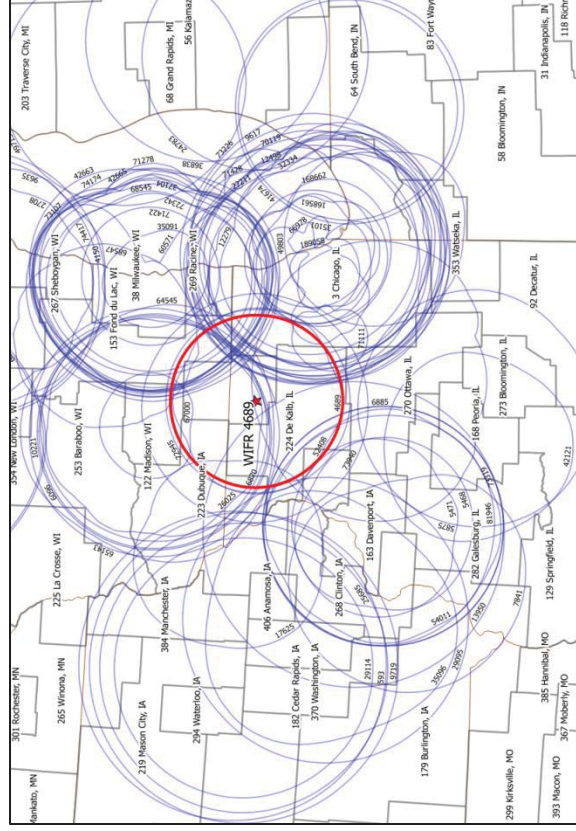
Covered Pops: 1.1 million

Interference Count: 118

Blocked Pops: 14.1 million

FCC Starting Price: \$173 million (\$2.04/MHzPOP)

EOBC Proposal: \$355 million (\$4.20/MHzPOP)



WTTW (FacID 10802) **12% Freeze***

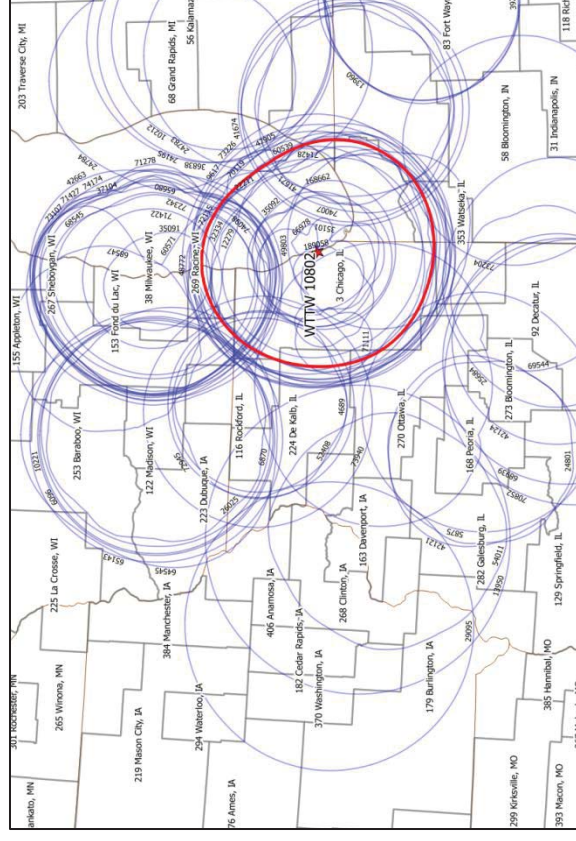
Covered Pops: 9.7 million

Interference Count: 116

Blocked Pops: 13.3 million

FCC Starting Price: \$507 million (\$6.35/MHzPOP)

EOBC Proposal: \$604 million (\$7.57/MHzPOP)



EOBC Compromise Proposal reduces but does not eliminate pricing discrepancy

- Percentage of times, in simulations released by the FCC, that the station was frozen.
- Red Contour is the subject station. Blue contours are for all the stations that the subject station blocks co-channel. Similar maps can be prepared for adjacent channel interference.